An Interview with

PHYLISS MURPHY

OH 399

Conducted by Jeffrey R. Yost

on

18 December 2008

Burbank, California

Charles Babbage Institute
Center for the History of Information Technology
University of Minnesota, Minneapolis
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Abstract

This oral history details the career of computer services entrepreneur Phyliss Murphy and offers important perspective on the history of the supplemental IT staffing industry. She discusses her early training and work in accounting, shifting to programming and direction of IT operations, move to managing projects and IT services operations at Consumer Systems (headquartered in Chicago), forming her own IT staffing firm in Southern California (Phyliss Murphy and Associates), and running this firm for the past twenty-eight years. She also provides perspective on the significance of trade associations for the IT supplemental staffing industry—including SC-SCBA and the NACCB.

Keywords: Phyliss Murphy and Associates, NACCB, SC-SCBA, Consumer Systems, Software, IT supplemental staffing, gender.
Yost: My name is Jeffrey Yost from the Charles Babbage Institute and I’m here today with Phyliss Murphy in Burbank, California. It’s December 18th, 2008. I’ll start off with a few biographical questions. Can you tell me where you were born and where you grew up?

Murphy: I was born in Quincy, Illinois, which is on the Mississippi. I spent most of the first eighteen years of my life after World War II in western Illinois.

Yost: Can you briefly outline your educational history?

Murphy: Yes. I started as a music major, switched to math, then switched to accounting. I have a degree in accounting.

Yost: Where did you attend school?

Murphy: I graduated from Western Illinois University, in McColm, Illinois.

Yost: Can you provide a brief overview of your employment history before getting into this line of work?

Murphy: Yes. I worked for a CPA firm for about a year and a half and then I joined a real estate, mortgage and management house as an accountant. Met a computer, fell in love. Within a year and a half was director of their IT department. Did a lot of system design
and system development. Started on a Univac 1004 and then went to an IBM System/360. I was there six years. When I left there I went to work for a service bureau as a programmer and worked on a back end of a Chicago Board of Trade system. Then I worked on a claims processing system for Caterpillar Tractor, which is a large installation online. And then left there and became a computer contractor for a lot of years in Chicago. All my work experience was in Chicago. When my husband, Mr. Murphy got an offer to move to someplace other than Chicago, we picked L.A. because of the wonderful weather. The company I happened to be working for in Chicago had an office in L.A., so I just transferred out here with them. They did not know how to sell in Los Angeles. So subsequently, about nine months after I got here, they decided to close the office. I opened an office for a consulting firm and was there for about a year and a half. They had some financial difficulties. When I left I decided that since I was so opinionated about how things should be run, and so fiscally conservative compared to how everyone else seemed to be in L.A., I would open my own company.

Yost: And when you were in Chicago, before this, you went to a service bureau to program, what kind of training did you have in computing at this point? How much did you teach yourself? How much did you learn through training?

Murphy: This would have been in 1966. They [at Draper and Kramer] asked me if I wanted to learn to program—I didn’t know what it was. And I said, “Tell me what that means.” And they said, “We have computers in the other room and you’re going to tell it what to do and it’s going to do exactly and precisely what you tell it.” And I looked at my
boss and I said, “This could be love.” [laughs] So they sent me off to programming school at Univac. I knew so little that when I went in they said, “How many columns do you have in your cards?” Because we had punch cards of course, and I said, “I have no idea.” They said, “Well do you have rectangular holes or round holes?” And I said, “I don’t know I’ve never seen a punch card.” My assignment the first day of programming school was to find out how many columns we had in our cards. After four and a half days I was done. They turned me loose and that was it. Total training.

Yost: So you only had a week…

Murphy: Four and half days. [laughs]

Yost: Four and a half days of training. And then what type of programming did you work on initially?

Murphy: We were wiring giant panels on the Univac 1004. And we could do the entire mortgage banking application they had on panels with 4K. We could do the entire management applications on the same machine. The panels weighed thirty to fifty pounds each when we got through wiring them.

Yost: Do you remember what year you moved to the service bureau and the name of the service bureau?
Murphy: I moved to the service bureau in 1971, 1972. It was called Executive Computer Systems and they provided 24-hour service to a number of places. Their main clients were Caterpillar Tractor, the Chicago Board of Trade, and the Teamsters Union. [laughs]

Yost: What was your primary responsibility?

Murphy: I had become a director of IT at Draper and Kramer, which was a mortgage and management house, and I had hired some computer consultants or contractors. I realized that they got to play while I was managing—as far as I was concerned designing systems and programming was playing. And they were paid more and had fewer responsibilities. So I thought, “Ah ha! This could be a big answer.” So I thought a service bureau would be good, because you got to work on a lot of different programs and do a lot of different things—that this might be a good transition. Also I had only worked with DOS, we had gone from a Univac 1004 to a IBM System/360 model 20, which was a DOS machine. I wanted to get experience on OS and I also wanted to get experience in online databases.

Yost: How long did you work for that service bureau?

Murphy: About two and a half years. Then I went to work for Consumer Systems, which was a consulting company in Chicago. We did contract work or supplemental staffing for companies. We also managed projects for companies and I did a number of large projects, I worked on a number of large projects there. My primary responsibilities there were for design. First I did programming, then I started designing, and I ended up
managing some large projects there. One of the projects was of particular significance—we converted Bankers Life and Casualty, which is a very large privately held insurance company, we converted them from a pure manual system to an online CICS COBOL system. This was an incredibly interesting experience. Then I left there—I worked on some other contracts too, I worked there three and half years. Then I was with CAN Insurance as a contractor and helped them design their ISO, Insurance Service Organization reporting system. Which I understand after I moved to L.A. that they continued working on for another five years, which is very interesting because they couldn’t make up their minds what they wanted to do. The last year and a half I worked for Consumer Systems they were having some problems with some of their major accounts and because of my background they asked if I could go and try to resolve some of those issues. The first place they sent me was Illinois Bell. We were at the verge of having thirty-five consultants walk out of Illinois Bell because of conflicts with their management team. That did not happen. In fact about seven months later we celebrated the implementation of the project on a big boat ride down the Chicago river with all the Illinois Bell management and all our people, so that was very successful. What that did was…. then they came and they said OK every time we have a problem with a client they would drag me in to try to resolve the problem and get the system back on. So although I had a lot of clients that were insurance industry clients, anybody else that had a problem ended up mine also. When I left Chicago I had 145 consultants working under my group. And then I moved to L.A. and that would have been late 1978.

Yost: I’m sorry, can you say the name of the firm again?
Murphy: Consumer Systems.

Yost: And they had a branch out here?

Murphy: Yes, they had a branch out here. They got a huge contract to standardize all a number of computer systems. Schools had acquired a lot of computers; they had all different kind of systems, of manufacturers, of operating systems, of programming languages. We were one of three firms that were working with them to get those all standardized. They had [inaudible] was paying for a branch office out in L.A. to handle a couple of their divisions out here. So when my husband had an offer to transfer out here—of course how could I reject sunshine? [laughs] We came out and I was attached to that office. Consumer Systems had a very large presence in Chicago and Minneapolis. They had about three hundred people, which in that era that is a really big consulting firm. When they came to L.A. they forgot one of the basic premises of running supplemental staffing firms and that is you have to aggressively market. They did not do that. They also tried to manage their sales staff from Chicago, which was incredibly ineffective, especially with the time difference, but also with the cultural difference. I quickly learned that all cities are not created equal as far as what their expectations are from firms that provided IT supplemental staffing.

Yost: Can you describe the marketing operation in Chicago?
Murphy: In Chicago they had a VP in Marketing—it’s really sales. Let’s really call it what it is. They had a sales department. They had a VP of sales. They had about six or seven sales people. The IT or the consulting division would go out on marketing support calls with the sales staff and help them close business. In L.A., to start with they hired sales people they did not—in Minneapolis when they hired sales people, they would bring them down to Chicago, when they first opened the office, so that Chicago and Minneapolis were singing from the same hymnal. That’s a good way to put it, right? When they opened L.A—to start with L.A. culture is very different than the Midwestern culture and anyone form the Midwest can attest to that. So they hired people from the West Coast and they did not take them back to Chicago and teach them what the corporation was and what the standards were and what the expectations were. As a result it was a very ineffective sales team that they had out here and they had great difficulty in selling. Before I left I got a hold of all the management in Chicago and I offered to go out and start trying to sell and trying to find clients and to get the office up and running on the sales side. And it was explained to me very clearly that consultants don’t sell and sales people don’t consult. So they ended up closing their office and I ended up going and opening a branch office for another company, also from the Midwest. [laughs]

Yost: In Chicago, were you competing with some of the giant IT service providers …like MSA, CSC, and EDS?

Murphy: Actually we were competing against…one of our main competitors was a company called AID. Consumer Systems spawned a lot of companies because one of the
things the owner did very effectively is he hired really good people. However, he made marginal financial decisions. He really felt that the computer was a fad and was going to go away, so he needed to divest his money and invest in all other kinds of other businesses. Which seemed like a great idea, however, the only business that ever made money was computer consulting. So the income from consulting division was constantly being drained off into these other adventures that he was undertaking. So management, people that rose to management in the company, would get very dissatisfied and would leave and when they left they would form their own firms. I’m trying to think—CARA Corporation, which is out of Chicago was spawned from Consumer Systems. Jean Filio started a company, which is still in existence. CARA is still in existence. IBS run by Dan Williams, which is a large company in Chicago was spawned from there. In fact, I used to tease Dan and say… there’s probably twenty or thirty firms in Chicago, in fact we are constantly taking about having a reunion, of firms where people worked for Consumer Systems learned what they did well, learned what they didn’t do well and went out and formed their own companies and grew from that.

Yost: Were the other ventures they were trying all outside the computing field?

Murphy: Yes, they were totally out. He bought a flower shop. He bought a travel agency. He bought a direct mail agency. Actually, that one didn’t do terribly bad. It didn’t make money but it didn’t suck money. A jewelry store—you name it. If somebody came up with some great deal and could sell him on it he would go and buy their business and be involved in it.
Yost: Did they ever get into software products?

Murphy: They thought about it with the direct mail system, but I don’t think they ever sold any. But mostly we supported others. We were partnering with Arthur Andersen on a project. So the company would partner with really big firms—what used to be the big eight, then were the big five, and now who know what they are. [laughs] But we used to do some partnering with them. We frequently managed our own projects. That was in a time and an era where companies trusted you to manage projects and we did get them installed. We were successful. Because success breeds success we also did—so we probably did twenty five to thirty percent consulting project oriented assignments, so it wasn’t the massive part, but we also did a lot of supplemental staffing.

Yost: I’m working on two research projects, one broadly on the IT services industry but also one focused on women entrepreneurs in IT. Of the people that went out and started businesses…Well, before we get to that, first, what was the gender mix at the Consumer Systems?

Murphy: Well, when I started there weren’t a lot of women, as you might imagine. Which gave me a decisive advantage throughout my career because if I knew what I was doing and I was outstanding, people remembered me because I looked differently from everybody else. It really, really worked. I mean forget equal rights, this is a good deal. [laughs]. So not many in Chicago. In fact I don’t know that Consumer Systems
spawned—I may be the only woman-owned business that they spawned. Now in subsequent years, a lot of women have gotten into the business and own and manage companies, but back in that time there just were very, very few. In fact, I don’t remember hardly any, or even women branch managers in the larger companies. Although there were some, but it was very, very small. But then when I graduated from college I think I was the only female accounting graduate that graduated from Western Illinois the year I graduated. There may have been another one. Women just didn’t have careers. [laughs] You know. They had jobs, but not careers. They wanted careers, but it was hard. When I was the director of IT with Draper and Kramer I can remember going to meetings and being with other IT managers and being the only female there. It’s slim.

Yost: And when you came out here?

Murphy: California is a little more liberal. You might have noticed that. [laughs] Yes, there’s a lot of good women-owned companies out here. A lot of them. Some have put themselves together, patched themselves and sold. One of my competitors sold her firm, and my from my understanding of the street gossip, her part of it was $52 million. So obviously she did really well as far as building a successful firm. She knew what she wanted to do. She is now back in the business with a smaller business and her time’s passed. It’s probably close to forty percent of the stronger businesses in L.A. that are women-owned and operated. A high number.
Yost: Can you describe what the operation was when you came out here and what was your job title?

Murphy: I was a director. When I left Chicago I think there were four directors. Really my job, because the office was very small—I left from managing lots and lots of people to no one. So it was just whatever they needed to try to make the place survive. If I needed to go on sales calls, I did. If I needed to work an account, I did. If I needed to manage an account, I did that. I did recruiting. I did performance reviews. I tried to work with the salesmen and get them out on the street even though it was not in my responsibility area. I just did whatever was needed.

Yost: How many people made up the sales staff?

Murphy: We had three I think when we left. And they seemed to spend most of their time in the morning figuring out what they were going to do for lunch and then the afternoon how many calls they absolutely have to make before they go home. Which is not exactly what I consider an inspired sales staff. [laughs] Which is why the office closed. [laughs]

Yost: How long was it before the office closed?

Murphy: It probably closed in the first or second quarter of 1979—probably second quarter of 1979. I left probably first quarter. I briefly took a—I didn’t know who the clients were in southern California because my sales people wouldn’t call on it. Back
then we used to look at the newspapers, *L.A. Times* whatever it was, and look and try to figure out jobs. There were also a couple of indexes, which our company wouldn’t buy, but I knew of them and I found out about them and arranged to go to the library and see them. They were at the time $500. But I took a short position and that’s all it really was for about 60 days with a permanent placement firm. When I went in I talked to the people and I said I am quite honestly going to go start a branch office for a consulting firm in 60 days. They wanted to have people that could staff IT positions. They didn’t really have anybody on staff. I said I’ll make a trade with you. I’ll come in and I’ll work with people you hire to teach them IT and what kinds of positions and how to ask interviewing questions and things like that. What I would like in exchange for that—and I didn’t get paid, no salaries all commission if I sold anything. And I said what I would like in exchange for that is I would like to sit and pound the phones and find out what’s out there and find out what’s happening in Los Angeles because I don’t know. They felt very strongly I would stay and be a placement person. I knew that I wouldn’t and I kept telling them I wouldn’t. In sixty days I learned an awesome amount and when I left they thanked me and followed up with me for a long period of time because they felt that they’d gotten the best of the deal. Win-win is always good right! Then I opened a branch office for a company. It was Midwestern based, Schaumberg [sp?], named CBM. CBM originally was a leasing company and they leased farm equipment and that was what they did. Then they got in and started leasing computer equipment. It was a privately held company and it had investors in it and the various people that had run the company for this little syndicate of money people didn’t manage the company very well. A gentleman that had worked at Consumer Systems went to work for them and convinced them that they really
needed to start providing services and that he could take that shell of a company and produce income. So he did that and they had offices, like Consumer Systems, in Chicago and Minneapolis. Then they let me open an office in L.A. This would have been 1979. It took about six months to break even at that time, which was absolutely incredible. In the Midwest people tended to use salaried consultants back then to do the supplemental labor. They had some independent contractors, i.e. 1099s or corp to corp, and then they had some hourly. But the Midwest, the conservative Midwest felt at that time salaried people were the way to go. Well, I’d been in L.A. not that long but I’d been here by this time, about nine months, I had figured out real quick that in Chicago and Minneapolis companies tended to use the same kind of people. So you had, as I’m going to call limited flavors of consultants, you had vanilla, chocolate and strawberry. I came to L.A.; it was like thirty-one flavors, Baskin Robbins, out here. So I figured if I built a bench, then I can only call on companies that can use my bench and this is probably not the smartest thing to do in L.A. Because there were already some companies from the Midwest—AIC big company form Minneapolis was out here and they were doing very well. They were running it like a Midwestern firm. They had a lot of COBOL programmers that either knew CICS or IMS, and that’s what they went out and sold. So I said well I can do that or I can offer a little more variety and possibly get in some accounts where I won’t have such heavy competition. So we had a mix of salaried and independent contractors and for California that worked really, really well—because it allowed me to be able to staff what I needed to staff.

Yost: Roughly what percentage staff and what percentage independent contractors?
Murphy: I think at the end it was like sixty percent—sixty-forty or seventy-thirty in that range. That was mostly salaried workers. We were very fortunate and got a couple of large projects. They didn’t start as large projects. It started as supplemental staffing but one of our first clients was Forest Lawn, as Johnny used to say, the large cemetery people. I used to call them a high-density real estate developer—very high-density! [laughs] And we went in to do a flower placement system for them, just with a programmer analyst. Before we left we had twenty-six people there and we were supporting and writing major systems for them. It was a very good client. They had a lot of money. They knew what they wanted. They weren’t very sophisticated and they couldn’t understand why you had to do analysis and design and get sign-offs before people started coding. So that took a while to get that education process to happen. But they were very smart and they learned quickly once someone showed them, explained to them what really needed to be done. One of the most interesting things that we did, that we rewrote there, is that they had a real estate system and they were trying—they had managed to force the mortuary business into this real estate system and so instead of numbers of room they had numbers of caskets. They renamed all the fields so that they could sort of get billing out of this system and do some other things out of this system. Especially, to collect but they did let people finance so this way they could bill people for services. They had pre-need and at-need and depending on the kind of services, the way they billed and they could do that with charging interest and stuff out of the system. It was one of the most unusual things, when I see bath and it really meant urn. [laughs] Our consultants there, we had to teach them they had to dress appropriately. They had to use
the right words like before-need, at-need. They had to say the deceased. They could not say anything that could be considered inappropriate because Forest Lawn was so aware of its image to the public that they didn’t want some computer contractor walking in there and saying, “Hey, they just brought a body in”. That was just totally inappropriate. So one of the things we had to do was we had to train our people on what they could say and what they couldn’t say before they went in. Women were not allowed to wear pants. They had to wear skirts. It was a very, very unique, old-fashioned environment, but we did very well there. We had a number of other good clients too, but that was one of the more fun ones to talk about.

Yost: Was there a typical size client? Were these mid-sized businesses? And did you have public/government work as well?

Murphy: We worked with Occidental Insurance. We had large clients. We had small clients. All different sizes. I’ve always preferred dealing with large companies. Actually Forest Lawn’s asset base is immense. I mean it is immense. They own art galleries. They own shopping centers. They had the world’s largest collection of American bronzes. I mean they have all kinds of things that we got involved with. They have an awesome portfolio of investments, just huge. I shouldn’t talk about clients, but anyway they are very well funded. Let’s just put it that way. They managed their money conservatively and well and we got to work with them. So it really was a much bigger client in some ways and a much more complex client than some of the big clients that seemed like they should be big. Consumer Systems management, the investors, felt that because we were,
especially L.A., we were really making a lot of money. What they were doing was they would pull money out of the company. Well, you can not grow if your cash is always being depleted. What happened was the company got into financial trouble because we had no funds. I mean the funds were going—our payroll was exceeding the money. Well the money was allowed to stay in the company to fund it by the time we collected it. I left because of a cash flow problem.

Yost: Were you primarily supplying programmers or systems analysts?

Murphy: Just mainframe predominantly. Although we did do some HP and we did do a bunch of VAX and a southwest administration was a VAX shop. We worked for them. We did HP for a number of companies, some aerospace suppliers and people like that. So we were doing a lot of different things. It usually started with a programmer but we were very good at developing it into a lot of trust and showing our expertise and they would end up letting us supply people all way up and down the food chain. It worked very, very well. I’ve always run, places I’ve been responsible for projects/organizations in a Midwestern manner—and I’m not being disparaging about west coast. I used the basics. You don’t lie. You don’t cheat. You don’t steal and you treat other people as you would want to be treated if you were in their chair. That has been solid. It’s always been solid. I’m fiscally incredibly conservative—as you can see! [laughs—Murphy refers to the modest suite of offices of her firm]. But I want to make sure my business is very well financially-based. Having worked for a couple of companies that were not fiscally conservative, I saw what that could do to the company and how much energy went into
the people that were employed there worrying about finances and whether they are going to have a job versus worrying about doing their job. There’s a few very, very valuable lessons I got early in my career and which I am grateful for. Very appreciative of because I can see if you don’t this, that is what will happen. Just like the one office where they didn’t have strong sales staff. I realized that we could have the best consultants in the world but if nobody knew about them, you didn’t have a company. And you can’t have all sales and no support. It’s got to be in balance. I will often say it’s like the tire on your car. If it’s not fully inflated it won’t roll so if you have one flat side you know that’s where you’re going to get stuck. And that’s really sort of the way I run the business.

Sorry for all the Midwestern [laughs]

Yost: No, it’s interesting. I was born, raised, and currently live in the Midwest.

Murphy: So you understand when I talk about all these analogies. [laughs]

Yost: Yes. What year was it that you left them?

Murphy: I left them in 1981 and I left because they called me and told me that I had to tell my people that their pay was going to be delayed. I had a serious problem with that because as far as I’m concern if I hire someone I have made a personal commitment that they’ll be paid on time, even if I don’t manage the money and the company. It’s a manner of trust. I flew back to Chicago. I got the paychecks. I explained to them at that time L.A. is absolutely the most profitable office. Minneapolis was marginally profitable. Chicago
was marginally profitable because they weren’t investing enough in sales. So they had a lot of people on the bench, not enough out. We had an office in Atlanta, which was not making money at all. I just explained to them that they could not afford not to pay their most profitable office. I brought the checks back to California. I’d made arrangements—we were in a building with a bank on the first floor. I made arrangements with the bank. The bank called. I told them the total net amount of the payroll. They verified that there was enough funds in our bank account to cover that payroll. I had my employees come in for a meeting and I took them down to the bank and told them to either cash your checks and get cash or cashiers checks with your checks. The next morning I resigned. Because I said they will pay you if I’m not here to buffer. So actually, you are more secure without me here than with me here. And they really were because they made sure that that California office was always paid on time after that, which worked very well. The company filed chapter 11—they hired a new management staff. That management staff really drove them to the ground. They filed chapter 11 after about eight months and Chapter 7 probably after another six months. It was very sad. I didn’t have a job because I wasn’t looking when I left. I knew who my competitors were. I started down my competitor list and calling on everybody to see where I should go to work. [laughs] I would go in and they interviewed me, but I also interviewed them, because I did not want to get into a place that didn’t know how to manage money. I did not want to get in to a place where they didn’t have good sales staff. I didn’t want to get in a place where they didn’t have a good back office. They couldn’t get bills out and get people paid on time and I didn’t want to go to a place where they didn’t respect their consulting staff. So I just had four things I wanted them to do. And again the flat tire analogy. I’d go out and I’d
talk to people and I’d walk out and I’d go, “Three out of four”. Well that’s not good. And I’d go to the next firm and I’d go two out of four—this is bad. [laughs] And I just kept doing that. Twenty-six companies I had talked to. And I did this in very rapid succession, because I had no money. By the way, I had filed for divorce, had moved to a furnished apartment with my son and I was sole support for the two of us. And I’m now unemployed, real clever. [laughs] So I’m sitting there and I’m going, “OK, now what do I do?” I was going through my financial records and everything. My grandfather had given me two hundred and fifty dollars in stock when I was in high school. And I hadn’t touched it. And I hadn’t touched the dividend. I just let it sit there. My grandfather was a good investor. I checked the price of it and I realized I was really rich—I had twenty-five thousand dollars. Nice little investment, bless your heart grandpa. So I said, “OK, I’m going to try not to touch that but I’m going to—if I think I’m so smart about how to do this, I’m going to gamble on me.” Because no one is going to work as hard for that twenty-five thousand dollars as I am because I preserved it all these years. So I started in this furnished apartment. Had an Oakwood apartment, transient apartment place. Started at my kitchen table and with a phone and a bunch of three-by-five cards. [laughs] The first assignment we got was a real small one.

Yost: What year was this?

Murphy: It was 1981. And the person that I put in there had—they only wanted someone that knew flat files. And they know flat files and then he got in there and they didn’t know and he was not doing too well. So I went in and owning the company with my
name on it. By the way the name on the company is there for a real simple reason. It’s not vanity. People in Chicago all know—well don’t anymore but when I was there knew—Phyliss Murphy, because I was good at what I did and if I was in charge of a system it got delivered. So I developed a good reputation there. When I came out here, I would go and call on a client and I would say, “Who do you currently do business with?” And they would say people’s names. So I’d go look in the *L.A. Times* and I couldn’t find those companies. Well the next time I’d go back and call them I’d say well you know you said you do business with so-and-so and so-and-so, do they have a company name? And they’d go, “Yes, that’s so-and-so” and they’d give me the company name. And I went this is really confusing. I think that if I’m going to make sure that the quality of work we provide is good and I don’t want them to have to go, ‘let’s see who do I look up in the phonebook. I want to do business with Phyliss Murphy.’ I thought I’ll just make this real simple. We’ll just put my name on it and get rid of the confusion. So that’s what we did. I don’t need a cute-sy name. It’s just us, which has proved to be very good because when I hire salesman recruiters I explained to them that they are representing me. There are certain behaviors and certain ethics that our company has to follow because it’s on my name and that’s the way it’s going to be. But that’s the main, big story. Not much there other than it made sense to do. The second company that I called was US Borax. And I started talking to the manager there and he said we’ve got a firm, we love them. We don’t do business with anybody else. You don’t even need to knock on the door, no reason to talk to you. And I said, “So you do not have any position there that they are having trouble filling?” There’s this silence. I love silences. [laughs] That means there’s a problem. And he said well there is. I need a project manager that has experience with
process. I said, “Like mining?” and he said, “Yes”. And I said, “Would UOP petroleum, would that be close enough that a person that had a lot of experience with that work?”

And he goes, “It could be but let me give you my other constraints.” He started giving me the constraints. I knew who I was going to put there. I had the person. [laughs] It was someone I worked with in Chicago. I put him in there and it was a perfect match and we just kept adding and adding people to that account. We had a lot of good people there. And so that was a really strong base for us and then we could build around it and do business with other companies too. Because we now had a name client. Always good to have a name client. And it was just doing that. But I can remember praying that I would get a check because I didn’t want to pull my funds out to make the payroll if I didn’t have to. Because I used that as my contingency or emergency fund. Praying that the check would come in to cover the payroll of the people I had out and managing my accounts receivable very closely. Very interesting. We were in, my son who was like four or five at the time, we were in a small apartment. I can remember having people—I’d have to interview people, so I’d meet them at Denny’s or someplace to interview. Or they had a room or a bunch of rooms at the center of this apartment complex. I’d meet people there and interview them there. It made it difficult not having a professional office to go to.

Yost: In the first several years, let’s say three years in, how many contractors did you generally have?

Murphy: Good question. The first year 1981—I didn’t know it at the time—was a recession. So I kept saying how come it was so easy a year ago but so hard now. I didn’t
call on any of the companies that I had called on before [for other companies] because I had—I had not given them my word, but I had given myself my word that I wouldn’t touch them for at least a year, because that was not fair. It really wasn’t. I wanted them to survive and there was room for other firms out there. They didn’t need to worry about me—I was just noise. They had some big fish to worry about. So it was really slow but we probably had twenty, twenty some, I’m guessing, after three years. The first year was really hard though.

Yost: You were the only employee?

Murphy: I was the salesman, the recruiter—well let’s see…no. I have to think. Good question. I invested money in hiring sales people. I hired four of them. No guts no glory, right? [laughs] Because I knew that I really didn’t like pounding the phones all the time. So I hired four sales people hoping that two would work out. And actually that’s exactly what we got out of the four. Two went away real quick and two really were good and they helped expand the business quite a bit. And I was doing a lot of the recruiting and then I hired a recruiter to help with the recruiting. I was doing all the books and all that kind of thing because we just didn’t have money for that. I wanted to put money into people that could bring revenue into the company not overhead. The recruiter didn’t last real long but we had already started a fairly good database. We started in a rented furnished apartment. We moved to a townhouse because I thought I couldn’t afford two rents but afford one. Then we moved out of the townhouse into an executive suite. The executive suite went belly-up after six months. [laughs] Great. An executive suite is a
wonderful way for a new business to start because you look prosperous. You have
everything there. You have somebody answering your phones. You have conference
rooms. And it’s all shared expense. It’s a little more expensive per square foot, but not for
what you get. But they went belly-up so we moved into—we’ve only been two places.
We were across the street until the beginning of 1987 and we’ve been in this building
since 1987. We’ve been here twenty-one years, a long time. We’ve been all over the first
floor but we’ve been here. So business did pretty well until 1987. In 1987 Reagan signs a
tax law that had a provision in it called 1706, which in our industry is infamous. You’re
aware of it? OK. And because I felt I had a very strong—I never had a soapbox. Came
through Vietnam, was in Chicago when the riots happened, the democrat convention—all
that, no soap box. When they took computer consultants rights to be independent
contractors away, I pulled my soapbox out. This was my issue. I really felt strongly that
professional people have the right to have their own businesses. Period. That’s it. No
black and white. It’s done. It’s fair. It’s what the country’s built on. So I spent a lot of
time—although I was not at the first meeting for NACCB, I was very instrumental in
getting all those people together. I was quoted—we had a front page article—they quoted
me in the *Wall Street Journal*. Just a lot of things. Really, really, really pressed people to
get there. But because I’d made a decision to convert all my people to W-2 January first
of 1987 and as far as I was concerned I was changing their contract. They had the right to
walk out on me because I’m the one that said I can’t take the risk of doing business this
way. Because I’m going to go fight this and if I’m fighting it I’m going to make a lot of
noise. I’m going to get audited and I cannot—I won’t survive. I lost two thirds of my
consulting staff. So in January I was trying to hold that staff together. What I found out
when I went up to the Computer Museum of History in the San Jose area, in Mountain View. I found out—many of my peers were there that were also in that original group and I found out that I really was the only one that totally converted everybody and nobody else had anywhere close to the problem that I had with people leaving. As it turned out my intuition was incredibly right and I was audited four times by four different IRS offices in four years to make sure that I was not paying people as 1099 or corp. to corps. Because I immediately converted, I was O.K. The first audit my accountant and I were absolutely terrified beyond words because we were afraid it was in effect admitting that these people were really employees before by converting them. But they said no. We knew we had a defense but we just weren’t sure of the agents, weren’t sure how long this was going to take.

Yost: You were in a financial position where you could make that conversion?

Murphy: No. Well, I mean, I did.

Yost: More specifically, did you need to go and get outside funding to convert?

Murphy: No, I did not. I haven’t had outside funding. When I hired the four sales people I got credit line of like thirty thousand dollars and that’s really – and a couple of times I used a credit line to pay income taxes because I had to switch from cash to accrual. And when I did that, that transition, I used it to get through the first couple of years just to pay
taxes and I would pay it off in the first quarter. But I have not used funding. I still don’t use funding. No, I…am fiscally conservative.

Yost: Was that a difficult decision to switch?

Murphy: For a Midwesterner raised by depression era parents? There was no other decision, right? [laughs] In fact my Dad, on his death bed, not really it was like two months before but he thought he was dying. He had cancer. I went in and I assumed he was going to say take care of your mother. I’m the oldest, right—make sure your brothers are OK, all that. He looked at me and said, “You’ve got to get a credit line.” [laughs] He said, “You’ve got to give me your word you’re going to get a credit line.” I didn’t even have one then, right. I went, “O.K. Dad, O.K.” and he said, “No, I’m serious. You’ve got to do this.” And I went, “O.K. Dad. I’ll give you my word. I’ll get a credit line.” So you hear about why people have them; I have one because I promised my dad. [laughs] He was a business owner. He said you’ve got to be prepared for emergencies. And he was right. He was absolutely correct. Then I really needed it when they forced me to switch from cash to accrual method. Thank you, Dad. Good advice. I should have listened to you more. [laughs]

Yost: So your independent contractors were just very tied to that model?

Murphy: They were very tied to that model and other firms said that they’d take them and pay them like that. Now some of those firms the IRS put padlocks on their doors because
they audited them. And we had a lot of audits in Southern California. I do not know why they picked here but there were a lot going on. And I know, because years later scuttle butts got back to me that two, and potentially the third audit, were because other firms had given my name to the auditor when they came to them. And that’s why I was audited by different offices. Because somebody—one of them was Laguna. I mean why would you audit somebody in Burbank from Laguna, right? Well they’d gotten a lead that I was a target—because I was known to fight 1706. So they assumed because I was fighting it that I was not following the law. And again, my Midwestern background tells me if you’re going to fight it you’d better be like Snow White, because they are going to come and get you if aren’t. So I just did what I needed to do and fought it. There’s good news and bad news. The bad news is the business went to a third. The good news is, or the bad news is, all my sales staff quit and went to a firm that would allow them to place independent contractors. Which they all went to the same firm and that firm was audited and the IRS put a lock on their door and I’m not happy for any of those people.

Yost: They were employees but they wanted to sell—独立 contractors?

Murphy: They were employees but they wanted to not be trapped with W2s. The good news is I got to reinvent myself, which was great because I learned a lot in six years. Some things I really wanted to change but I thought my hands were tied and I couldn’t. But when you get a clean slate, I changed my compensation plan. I changed piles of stuff because I had that privilege. Initially, I spent probably four hours being depressed. Then I went wait a minute you can either sit here and wallow in self pity or you can say this is
the greatest opportunity you could ever have because you get to start from scratch and you get to redo it and what would you do different. And I immediately got on the ‘Cool. Let’s go change something’ trail and started doing it. So that was great fun. It was fun to rebuild the business. It really was. In the late 1970s and early 1980s we were not as effected as the Midwest was by the economic downturn. Remember 1978, 1979 in the Midwest? 1980 was really bad because I was sort of managing some offices that CBM had back there trying to teach them about sales and marketing and helping them get rid of their bench and helping them get financially, at least, even again. So L.A. was not hit nearly as hard or maybe we were just outselling the market. I don’t know which it was but we did not have that pain. But when I started my own firm I really felt it. And we’re back. We’ve had a number of these definite cycles in this business. And the transition from lots of jobs, very few people to lots of people and very few jobs sometimes happen quicker than you can blink your eye. It’s like a teeter-totter. It just goes flop to the other direction and there you are. You have to be really attuned to whether what you’re seeing is a real flop or if it’s just a little bump or whether your staff isn’t doing what they’re suppose to do. But we’ve had a number, especially Southern California and Northern California, I think maybe more than some other places with the burst of the dot coms and stuff like that. The last eight years have been—we’ve had some good years but we’ve also been tougher than I think maybe some other places.

Yost: You said when you switched to employees you only had about a third of the people stay.
Murphy: Yes, we were down to a third.

Yost: Was there trouble finding business with the new basis, finding staff, or both?

Murphy: It was trying to get qualified people to work on a W-2 basis—because our clients were there. They were OK. It’s just people would say, “I’ll only work—I want you to pay me with a 1099.” I would say, “I can’t do it.” And then you had to explain to clients why your costs were more because now you’ve got these W2 people you’re paying tax on, social security. I mean, it’s a higher cost. Just point blank.

Yost: Do you remember roughly the gender mix of your contractors before this?

Murphy: It was probably…I want to say twenty percent female, eighty percent male. If you’re looking at it that way. We have a lot of diversity here, culturally there is a lot of diversity. In certain cultures there tend to be more men in IT than women. Well most cultures, I guess, to be honest about it. [laughs] But certain ones are really big.

Yost: Retirement sheltering, freedom, compensation—what were the primary incentives in your opinion, the reasons why people wanted to be independent contractors instead of employees?

Murphy: They got more money. They felt that they could manage their own money better than pay the government—except quarterly or maybe at the end of the year. The
government didn’t used to be as stringent on when they got their tax payments. It was mostly that I think and they felt that they’d come up with all kinds of ways to hide money and pay expenses for their family and themselves and so they reported less income and they would keep more. I think was really the real reason. And some of it was pride. Some of it was pure pride. At first the problem also was that people who accepted employment tended to have an employee mentality and people who were corp to corp tended to be a little more professional and they wouldn’t jump from contract to contract because it was their integrity on the line, in their minds. And it’s interesting now—what’s it been…oh lord twenty years—I hardly can say it! [laughs] Now, we actually have more problems or hear of more problems with people that are in business for themselves than the people that have become W-2, but they aren’t. In their minds they’re really professionals and it is their business even though somebody is deducting and remitting taxes for them. And that’s the way we treat them. We say, “We’re only paying you this way because it’s a government requirement. As far as we’re concerned you’re a business and we expect you to act like one.” And they do. And we interview very closely for past successes so if we find that people are jumping or we find that they are not acting professionally we really just choose not to represent those people.

Yost: What level of experience would you say is typical of the people you hire?

Murphy: Six years is in the junior side. I would say the majority of the people are eight to eight up, or ten up, in that period. Because now they are competent enough and they’ve probably reached a point where they have made a decision of whether they wanted to go
on the management route or whether they love just doing what they do and they really want to make more money so they are willing to give up benefits for money. Frequently they’ve also reached a stage in their lives where they have a spouse that is able to provide —either man or woman—that is able to provide the benefits for the family and they can go just make money. The mix of women to men now is greater. As we’ve gone through women are getting apparently more confident and they will go out. I know when I first went out my husband did not want me to do it. My parents just went nuts and they kept trying to talk me into, “You’ve got to get a real job. You can’t do this.” And I said, “I really don’t want a real job. I had one. Tried that been there. I really like freelancing.” I used to say I really want to be a mercenary. [laughs] I want to go fight different peoples wars and when I get through I don’t want to do the clean up I just want to leave. [laughs]

Yost: Were the clients you had generally the same before and after you switched to a W2 basis?

Murphy: For us four hundred million a year revenues is a real small client so we really try to deal with the mainstream. I want people that have knowledge of IT supplemental staffing, know how to successfully use them, because then we’re both successful. Client firms understand the rules on how to treat the people and know what to expect so they are not too soft or too hard on them—everybody’s playing the same game. I want them to have budget. I don’t want to wait for a long sales cycle. And I’d like them to know what their expectations are because they’ve had previous experiences. What’s really hard is you have a new manager that came from a small company that just really has no idea how
to play the game. We do expect our people to work hard, we want results produced, we want them to become, if not the most valuable team member definitely in the top twenty-five percent of the team. We don’t want someone to say, “Well, they went to get a cup of coffee and they’ve been gone for two minutes so that’s how much? That’s ten dollars or twenty dollars.” But you also need the guy who says “Hey, you need this done. I’ll leave at six because I’m going to do it. Or I made a mistake. I’m going to fix my mistake. I’m just going to sit here and do it.” It needs to be both ways. We want to deal with companies that view IT professionals as professionals, not like a clerical person.

Yost: Have you had many government jobs?

Murphy: We do a lot of business with the counties. Interestingly enough not a lot with the county of L.A. but a lot with the county of San Bernardino, Riverside and we’ve done business with Ventura. We used to be one of the prime vendors for San Diego. How that happened I don’t know but they were taken over by CSC. But we haven’t done state or federal. A couple of reasons, one we are not geographically located well for Sacramento. The second one is federal and state governments when they have budgetary problems don’t always pay. And one of my criteria—I have a very decided vertical marketplace—companies that understand IT supplemental staffing, that have money, that can and will pay on time. And they’ll say, “Well, but don’t you only provide so-and-so?” And I go, “No. If that’s a good client then I will try to find whatever kind of people they need, whatever they want from me.”
Yost: Who are you’re primary competitors you’re going up against in the larger customer market space?

Murphy: 700 to 800 of them, let’s see. And it’s changed a lot every time a firm is acquired in Southern California, they usually don’t survive. Isn’t that interesting. In Chicago they do. In Minneapolis they do. San Francisco, they seem to. L.A., they come here and they try to put the model that works in most the rest of the country in here and it dies. Many of my major competitors sold in the late nineties and are no longer in the business or very marginally in the business. Doesn’t work. Managed to kill almost everybody in town that they bought. CompuStaff bought a huge firm out here, have managed to sort of wipe it out. Metro Systems, which was southern, bought a firm, managed to kill that. I mean you name it. Right now it’s real interesting, we don’t have any huge players because the huge players sold and are gone. We got a lot of noise players. We’ve got a number of firms that were founded about when I was… that haven’t sold. There’s CPS, Commercial Programming Systems. There’s FMCI, a company owned by Spencer Carr. There’s Online systems, it’s a woman-owned enterprise. The other two happen to be men owned. There’s iSpace, which is more off shore than onshore but the woman—it’s jointly owned. One of the key players is a woman and she was always a big competitor of ours and we continue to butt heads—not butt heads, we’re friendly competitors. But the big players that you run into everyplace else, what I always say is bring a lot of money, open a fancy office and help our economy because I know they are going to go away. They are going to create some noise but they aren’t going to survive because they base their marketing on old style, what we did in the eighties,
seventies—well some of us were doing it in the sixties. [laughs] But seventies, eighties and nineties and not what works in L.A. L.A. is much less relationship based than Minneapolis, Chicago, Atlanta, San Francisco, anyplace. It’s really, really interesting. Totally different. To survive here you have to redo your model, almost completely.

Yost: And what model is that?

Murphy: You need to be prepared to do lots of outbound contacts constantly and constantly expand that base. You can’t get your fifty to one hundred managers that you’re with and just follow them around because number one they move a lot and you may not be on the vendor list. Number two the loyalties are not like they used to be, at least they are not here at all. And I’m hearing from other people that it’s still a relationship market. We have relationships that we spent a lot of time cultivating—I have companies and groups that I have done business with, the ones that are still in business, for over twenty years—some of them almost twenty-five years, since early eighties. And they’re loyal. The company stays loyal. The people have changed a lot but they know we do what we say we’re going to do. We’re not cheap. We’re not expensive. We’re reasonable but we produce excellent people for that. They get good quality. It’s important you say what you’re going to do. It’s important that your word is good. But it’s important that you spend a lot of phone time. You do a lot of mailings. You need to keep your presence known out there. We do six or seven mailings a year. We do postcards because everyone looks at a postcard. We have people that just pound the phones. We do some face-to-face meetings but not a whole lot because when the Olympics were here and they told us that
no freeway in L.A. would move, we tried a new model. Our new model was instead of
going to client sites we were going to get on the phone and call them. And for six months
before the Olympics we tried that to see how it would work, trying to get that model in
place. I think this is a girl thing; I don’t think this is a guy thing. [laughs] It’s sort of like
OK; we got to get this thing going. And our sales went up thirty percent. And we went,
“ah ha! Maybe this is one of the answers.” Maybe instead of spending all our time on
freeways, going and seeing three people we should talk to twenty-five of them on the
phone and say if you want to see me I’ll come but most of them don’t want to see you.
They really don’t and if they do they’ll invite you. But you can say, “Well I can come
down.” Ninety-nine percent of the time they go, “No. You don’t need to do that. No, I’m
busy.” So pushing for an appointment—although quote unquote bonding is important and
as a woman I’m suppose to be really big on bonding—we do it but we do it at their
convenience and when they want to, not because its good for us. It’s a totally different.
I’m not saying that that’s heavily done in L.A., but that works really well for us.

Yost: And is your geographic scope pretty much the metro area or do you go down to San
Diego, or even further out?

Murphy: It’s primarily what I call the five counties, which is L.A., Riverside, Orange,
San Bernardino, and Ventura. We also go down to San Diego. However, San Diego is
more like the rest of the country and they, for years, had an attitude toward L.A. They
thought that L.A. was plastic; it was not real. [laughs] Because my goal when I moved to
California was to live in San Diego, not L.A., and I used to go on vacation to San Diego,
we did a lot of business in San Diego. I said my heart’s in San Diego; my body may be in L.A. so we got a lot of business down there because of that. The attitude of the consultants is different down there, too. It’s a different mental market place and so because it’s different what we really decided since there is so much business up here that unless we’re supporting an existing client that we really need to work what we know, where we are, and the kind of people we know and do the market we know. So that’s worked out. But we still have a few clients down there but it’s not like it was. At one time we had probably twenty-five percent of our business down there. A lot in Orange County though. But Orange County and L.A., mentally, are the same. We do a lot in Riverside and San Bernardino. But as far as I’m concerned it’s L.A., the big metropolitan hub.

Yost: You spoke a bit about the NACCB; how you came to that organization and were very involved in the initial issue of 1706 and response to that legislation, but can you expand upon that? Can you talk about what that trade organization meant to you and your firm?

Murphy: Yes, absolutely. Before NACCB – there was a before NACCB—there was something called SC-SCBA, the Southern California Software Contracting Businesses Association. We got together—in Chicago and Minneapolis—everybody knows each other. You know your competitors, you know what they are doing, and you know what is going on. Came to L.A. and it was like the wild-west. Everybody hated each other. They mistrusted each other. They didn’t talk to each other. It was absolutely bizarre coming from an environment that was so different it was bizarre for me. So I for a while I tried to
get people together and it was not working because there was no issue. Well, they
decided to start charging sales tax on computer consulting services. I had this huge call
list of competitors, so I called all these people and I said I think we need to get together
and we need to figure out how we can stop this bill from passing. Because this is going to
hurt our industry. I’d hear “I won’t come if so-and-so comes,” bickering noise. I said this
is bigger than individual squabbles. Go to such and such a hotel. I have personally set
aside a room for us to sit and talk about this. You can sit on the other side of the room
you don’t have to talk to each other but you’d better be there because it’s going to hurt
your business. Now here I am, I haven’t been here a whole long time, right? And here I
am out there trying to tell these people that have been here for years what to do.

Yost: And the organization, SC-SCBA, already existed?

Murphy: No, nothing existed. This is just Phyliss Murphy on the phone calling people,
saying get your tail down here. So they showed up and again maybe because I was a
woman, maybe they didn’t view me as big of a threat as a male. I don’t know but they
showed up. A lot of them showed up. Actually seventy-five, eighty people showed up.
All these people show up. So we get down there and they found out that they had
something in common with each other. At the end of the meeting, we went down to the
bar and people are talking and they are starting to sort of connect a bit. And I went this is
pretty good. So we formed and association to fight this California sales tax thing and we
beat it, which was really good.
Yost: Do you recall what year that was?

Murphy: That would have been…mid-eighties I think. 1984, 1985 something like that. Northern California formed an association also; they were doing the same thing, so we each had one. So then we started working together and we had a code of ethics, we had everything. And we’d have a lot of open meetings where people that weren’t members could come because my goal was to try to get the ethical behavior of companies like us in Southern California improved so that we weren’t killing each other. Your worst enemy was your competitor, and it shouldn’t have been, there was so much business. Let’s work the same way. So we had that. So when this national thing came, well, I could easily get these people on there. What I did was I wrote a letter and I sent it to every consultant in my database and I asked each of them, chain letter of course, to send it to ten people they knew because people cross country needed to know about this terribly unfair tax law. This letter—I got calls from Hawaii, I got calls from off-shore. It definitely went all over the country. I mean that’s how the Wall Street Journal found me. It was because of the chain letter, which had been copied and scanned and faxed so many times it was hardly legible. But they could see my phone number. They’d call my phone number. We’d ship another batch out and then it would go out again. And that went on for a long time. So when NACCB got together – I should have been there and I wasn’t.

Yost: Were you the head, the president of the trade association?

Murphy: No, no.
Yost: No, I meant the Southern California one.

Murphy: Oh of the one here, yes.

Yost: Yes, the SC-SCBA.

Murphy: Yes. Because nobody else wanted the job. [laughs] And because I made all of the calls. With the NACCB, I didn’t go to the first meeting. I did go to the second meeting. But I was on the phone with everybody all the time trying to keep people moving toward—we got to fix this problem. And I said, “I’ll be at the next meeting—I promise, I promise, I promise.” So at first it was absolutely incredible for me because I all the sudden had peers that weren’t direct competitors that I could talk to. Out here because of this adversarial role it was really hard. Although it was getting better all the time but it was still hard because they viewed you as trying to get information you were going to go use against them. With the national group, I met a lot of great people. I learned a lot about my industry because when you operate in a vacuum you don’t know things. The first conference was held in Florida and seventy-five of us went. It was in the same resort as the IRS was meeting, and a company called Computer [inaudible sp?], which was very actively trying to keep 1706, and we were trying to kill it. And the three of us were there at the same time, which I thought was incredibly interesting. And it was the most eye opening thing. I learned more in that meeting about my industry and everybody was so eager to share because everybody had been so bottled up in their own world. And I came back and I changed all kind of things in my company. Immediately
changed all kinds of things because I knew—people say, “I do this.” I go, “Duh. That’s a great idea. Do you mind if I do that? I’ll give you credit.” They go, “Just do it.” And we had so much every year I had gone—I’ve only missed one NACCB conference, the year my husband died. Every year I’ve gone I’ve come back with a list of things to do that I start implementing. And I come back with—I’ve made so much money. We have been able to get ethical behavior cross country improved. We have been able to—I talk to the clients, when I go out and meet with them, and tell then I’m a member of NACCB. Every consultant that comes in we give a sheet to and explain what NACCB is and why it’s good for them to work with NACCB members because there is a code of ethics and if someone misbehaves they should call and get a hold of us and we will try to get it resolved for them and try to work out whatever the problem is. I’ve been put on vendors list because I’m in NACCB. We’ve gotten insurance for less because of NACCB. I have saved so much money and made so much money and connected and it absolutely is one of the best things of having this business is that affiliation with the people. And now I feel like I’m the old lady in the group. [laughs] I’m sixty-seven and here these kids are twenty-eight. And I go, “God I remember how smart I was at twenty-eight!” And I really spent a lot of time trying to pay back because I felt that I’ve gained so much from the NACCB, so if there is a firm that is having any issues and they just want advice—if nothing else, I can give them a historical perspective. Why we are where we are. I’ll go to meetings—it’s so much fun! There’ll be a bandwagon. Remember the old days of politics when there were bandwagons? Are you old enough to remember that? Everybody jumps on the bandwagon, they are going to do this great thing, which we did twenty years before and it didn’t work real well then. But they’re all on the band wagon. They’re
beating their drums. “Yes, yes this is the new way. We are going to reinvent our firms.” I go back, I usually take the names of several of them, people I respect. They’re on the bandwagon. I’ll call them six months later and go, “Well, how’s so-and-so going?” Some of them are saying, “Oh it’s wonderful, wonderful. It’s the best thing we ever did.” Some are going, “ehh…” And a year later you go look them up at the conference, “Well how did your experiment go? Are you still doing it? Was it as great as you thought it was?” I haven’t heard any bandwagons that were really great yet by the way. But it’s really interesting because you are old enough and you’ve been around enough and you’ve seen enough that you recognize trends and the resurgence of trends that you know what the fallouts going to be and what people are able to comprehend the problems are going to be. They go back to the old invention but they don’t learn the lessons. Then they go through the pain again and it doesn’t work because they haven’t fixed the pain points. And some of it you can do successfully but my business model fits my personal life and my style, and I really don’t want to change it unless I need to to survive. But I’m not going to change it because it’s fashionable.

Yost: You mentioned that you learned things that changed your business in the early years that you took from other people talking about their businesses. Do you recall some of those?

Murphy: Putting in a conversion fee in every contract even though they said I’ll never hire this person. Collect that. I make about seventy, eighty thousand a year on that. That’s a simple thing. You say well hopefully we’ve given you such a good person that the two
of you will fall in love and want to get married. And if you do this is what it’s going to
cost you. And most of the time there is no issue about it at all. If they want it out, we
change it. But we put it in. Simple thing. Insurance, learning how to shop for insurance
and working in a group to get insurance—simple, simple one. I was sitting in a meeting
and someone said—everybody’s talking about their markup; what markup they think is
fair. One person said, “I have a rate sheet. I have wholesale, what you pay the consultant
and what we expect you to bill the client and never go below. People do what’s in
writing.” I thought, “My god. This just paid for this year’s membership.” Came back, put
that out. We’ve had one ever since then. Our profits went up immediately. We didn’t
have people rounding down. We didn’t have anything. It was fair. We know what’s fair.
And that way we didn’t have anybody gouging. We didn’t have anybody undercutting. It
was just this is it. The client said I’ll pay this. This is what we really should be paying the
consultant. We just know. That one by itself paid for the last twenty years of NACCB
dues. They’re not big. They’re just little things. Contracts, I know what I can put in a
contract. I know what I can’t put in a contract. It’s so much of every day life that some of
it I sort of even forget. The computer system we use I found at an NACCB meeting. I
hate to use the word maverick anymore. Forgive me, I may not use it. Let me change it.
Being someone that doesn’t like to follow the pack what we’ve done is we’ve totally
customized it because what we found was we didn’t want to mould our business where a
piece of software demanded it. We wanted the software to support our business. I heard
someone talk about—I think they used the word harvesting résumés from the Internet. So
I came back and we started figuring out how we could automate the whole front-end
process and we have done that. We don’t really harvest, but we... But we’ve written all
kinds of things so that we can make intelligent decisions, not include anybody but we’ve customized this so that we can get the kind of people, the quality people we want in the geographic areas we want and bring them in or update them in our system. I talked to someone, I don’t remember who it is anymore, someone who is no longer in the business who talked about doing what he called skilling resumes. So when a resume came in he had people that made their best guess at what the person does and recording what they did so that his recruiter could quickly get those people in the database. They didn’t do key word searches. They looked for the expertise and the functions they’d been performing with that expertise. We do that. We do that to this day. We can get to people faster than our competitors because of that. The business is a living organism that constantly mutates and changes. It gets all kinds of input and feedback. Some body once said to me standing drinking a cup of coffee outside of a meeting, I tell my recruiters to start with z’s because everybody else starts with a’s and people don’t call the z’s until the very end and you’ve got some great talent down there so that if you start at the bottom of the alphabet and call people you’ll get some good candidates instead of hearing “oh so-and-so already called me.” Right! Simple, simple. I said, “Thank you so much.” Wrote it down, came home. When I go I write down every idea that seems to have merit then I sit on the plane on the way back and I prioritize it. I separate it into, “oh that’s sort of fun,” “oh this is a good idea,” “Oh this is really a great thing I’ve got to implement.” Then I prioritize those and I give myself a schedule table. That’s all from the NACCB. It’s a wonderful organization.
Yost: And is that learning things informally from just meeting and talking to people or is it round table discussions?

Murphy: We do round tables. It transformed NACCB. Every year I insist they do at least one set of round tables because every time we do it people walk away with such great ideas and they are so thrilled with it that it’s really key. Yes, a lot of it is round tables, a lot of it’s casual, some of it’s in meetings. But it doesn’t make any difference where. Sometimes it’s having dinner with somebody. They say something and the light comes on. And usually it’s not big stuff. You only have to be one percent better to get the deal. So it’s just honing the model to make it a little better. Just moving it forward. I’ve spawned a couple of firms that are still in existence. I’ve spawned some that have failed. [laughs] When people have left people they will say to me they are just going to clone your business. I said, “But they’re cloning it as of today. That’s not where we’re going to be in three years or five years. We’re going to look so much difference than they are, they are going to get stuck in the reality of when they left.” I never worry about it. It’s just like, “OK fine.”

Yost: Is there a high percentage of membership in NACCB of companies in Southern California?

Murphy: The major players in Southern California are NACCB members. And weren’t always in the smaller. A lot of people, because I got audited so much and some other people got audited, up front they were afraid if they became members they’d be audited.
But that’s not happening anymore. That’s good. So the major players are now. A few aren’t. There’s a few that don’t and usually it’s because the owners are sort of absentee owners. They have somebody else managing it and that person we’ve not been able to convince that there’s value. Maybe it’s the way they are compensated on managing expenses. I don’t know what it is. But if you can get them to come to a meeting they usually join. Even one meeting if they come to one meeting.

Yost: What would you say has been the greatest challenge running your company?

Murphy: [laughs] That is so easy. Hiring good sales people. What’s the greatest challenge of any business in the universe, right? We’re a sales organization. I don’t care what anybody says, that’s what we do. Good salesmen are great at selling you on hiring them. I mean, salesmen who are maybe not great salesmen tend to get really good at interviewing because they interview a lot, right? Some of the good sales people aren’t particularly good at interviewing because they have jobs. And a good salesman is very difficult to acquire from another company, a competitor because it takes a while to build a base of business and if they are good they aren’t going to walk away from a good base. So the only way you can really pick them up is either get somebody that you train from scratch, which I had several of those. You get somebody who is working for a company that has been recently been acquired or is in financial trouble and it’s not their problem, because money hasn’t been well managed or something. You don’t get them because their personality changed. Once in a while you get one from relocation. So right now we are really trying to hire because so many companies are in financial trouble and they’re
closing offices and it doesn’t mean that they’re best salesman wasn’t a great salesman. They are usually trying to get that salesman to move, which nobody does here. It’s not like other cities, because your transportation is so bad here you don’t want to travel real far. So we view this as an incredible opportunity for us to increase our sales staff.

Yost: Does your sales staff usually have experience in the IT area?

Murphy: I have had incredibly successful sales people that don’t. Most of them have some IT knowledge but have not got hands-on experience. As a person that had hands-on experience, was successful with that, what I learned was that I am used to being able to control my destiny and hard work and persistence will bring me success. A sales person has to be able to handle a lot of “no’s” to get to a single “yes”. It’s a totally different—a person that will be a successful salesperson is a really a different personality than someone that has been a good technical person, in my mind. And I can sell and I can do a good job of selling. Do I like it? I take it real personally when people tell me no and I think that they are saying no because I have not done something right. And people who are technical often do because you’ll say, “hey I’ll just try it a different way. Maybe I didn’t design it quite right. I’ve got a program.” You know it was something I can fix. And there is not a lot you can fix with sales. I can train recruiters, good recruiters. A sales person is almost born and if you get somebody who is good, smart, nice and is persistent and has the attributes that a good sales person has—I’ve been married to a couple of them. [laughs] Real experience in that. You can usually teach them the IT because they are smart enough and they know they need to know it in order to do what they do.
Because they are really matchmakers. They really don’t have to know how to do it they just have to know what the manager is telling them they need and then they need to be able to communicate that to the recruiter that’s able to make sure they get the right match for the need. But I’m a sucker for sales people, I’ll tell you. Third husband. I have two—what did third my husband say when he was asked by his friends what happened to my first two husbands, he said they both died. His friends told him, “Oh and you’re stepping up to be number three?” [laughs] I made up my mind on number three, I wasn’t marrying a sales person. [laughs] I’d already been there, done that.

Yost: Are there any other important areas that I haven’t touched on with your business?

Murphy: For people of any sex starting one of these, their biggest weakness from what I can tell when I go to these meetings, is financial knowledge, money management, cash flow management, not the back office but understanding that fully and putting the right checks and audits and balances in to make sure that your business is running. If you’re investing all your time in solving problems because people are getting the wrong paycheck, they’re getting the wrong invoice, it is a problem. People are unhappy. They lose trust in your company. If you can’t manage your money well, if you don’t have good reserves they get nervous. I saw that two places I worked did not have that. When I go to conferences people will ask questions and owners have no clue of the financial situation of the company. You can tell from the answers. They are not hiding it; they don’t have a clue. How do you start a business without knowing what the backbone is and not being able to manage the backbone? I’ve even told a couple of people, “You need to go take an
accounting course. I know you think that’s really insulting but you really need to go do this so you can learn and understand the flow because if you can’t manage your money people you’re going to end up in trouble.” And they do.

Yost: So your accounting background proved to be valuable?

Murphy: Absolutely. In my first job I worked for a CPA. Early on I worked for small and medium sized companies and I saw—I learn from watching other people’s mistakes—and go that’s not good I don’t want to do that when I grow up. But I see some companies not understanding money management and cash flow. They’d sign a big deal; they’d go buy a new car. Duh! You signed it. You’ve got to manufacture it. You’ve got to distribute it, then you’re going to need to collect the money. Then you buy the new car. You don’t buy the new car before you have any money coming in and you’ve got to invest a bunch of money to get the money. I’ve watched it over and over again. And that’s our business. They need to know every time they have a net add of one consultant what the cash outflow is at the top and how soon that’s going to happen before it’s coming down. You’ve got to know that. They don’t have a clue.

Yost: You’ve always tried to keep overhead real low.

Murphy: [laugh] I was a Tech [?] member, they call it Vista now, and they came to visit. The members all go to visit every site. They came in, they looked around and they said,
“You have the highest sales per square foot of any company we’ve ever been to.”

[laughs]

Yost: That seems to be true of successful businesses in this area. Grace Gentry ran her business out of the kitchen for a number of years.

Murphy: Out of the kitchen. [laughs] Grace and I have laughed about that. We both had a kitchen table. I lived in an apartment and the maintenance people used to come and bang on the door and I’d say…I’d go to the door and say, “I can’t talk to you. I can’t do anything right now. I’m dialing for dollars.” “I’m at work.” And they’d go, “But…” I said, “No, no, no buts, come back at twelve.” You have to be disciplined when you are doing that. But yes, keeps your overhead low, absolutely. Look how well Grace has done all these years. Knowing Grace has been one of the awesome benefits of being a member of this association. She and her husband are just wonderful people.

Yost: Any further thoughts?

Murphy: It’s a great business for women. IT is a great business for women. When I was an accountant – I graduated with a degree in accounting. I went to Chicago because it was a close big city. I went to Chicago, I could have gone to Saint Louis but in Saint Louis I knew it was difficult for women to be treated equally to men. Chicago I figured it was bigger I had a better shot at it. It was less blue-collar. Went to Chicago. At that time there were whole high-rises just full of accountants. First of all I called on all of the big
firms. The best thing they’d ever talk to me was about a bookkeeping job. Well I paid my own way through college and I was poor for four years and I wasn’t going to take a job that I could have got without going to college. I want to work for a CPA firm; this is what I want to do. So I went to all the big high-rises. I got the addresses in the yellow pages and was using those to mark off who I’d been to see. So when I got through with all the big buildings then I said, “I’m going to do areas.” So I’d do an area and I’d do all the CPA firms in that area. Well, I got to the western suburbs. I did everything close to Chicago. I’m now out in the far west, out by O’Hare. I’d mark them out and I’d actually go and deliver my resume and call on people and do everything. A bachelor in the h’s, Jim Hoye [sp?] offered me a job. And he offered me a job because I was young and female – as I said never, never equal is fine—young and female and it was going to be good for his image to have a young, female accountant working for him as a bachelor. It’s the only reason I got the job. I went, “You know you’ve got to knock on a lot of doors to get a yes.” [laughs] but that was a great experience and it enabled me to do this. That’s been really the only time that I’ve had a problem getting employment because once I found computers. Well I didn’t really go apply for jobs at manufacturing companies I might have had some challenges there. But in this industry, what they cared was could you solve their problem. They never looked at what your sex was. Are you good? Can you fix it? Are you going to make our lives better? And it’s been that easy and it’s really, really worked out for me. Never do this—never say I love this so much I’d do it for free because now when I do development I do it for myself and I do it for free. [laughs]. But it’s an incredible industry and it has no limitations. In fact to me, it’s an advantage if you are female because you do stand out, you are listened to and the other
thing that happens is that you don’t approach the business the same as your male counterparts. I think maybe there’s an ego difference. I just want it done right and well and I want to be proud. But I have no problem giving credit—I mean the reason the business is successful is not because of me, it’s because of all the people that who are here. People tend to stay here long periods of time. I’ve had three sales people retire. If I have a good one, they don’t leave. [laughs] they are here for years and years and years, if they’re good. If they’re not I’m sure they’ll hit the bottom. Once you’re established and you have a good working relationship and they’re producing, it’s a good place to work.

Yost: Do the programmers and systems analysts stay a long time?

Murphy: Yes, yes. I had one guy that worked, well a lot of them that worked for us for years. I had one that just took a contract, just took a real job with a company, first time in fifteen years he’d worked for anybody other than us. And he called and said, “I really am thinking about doing this.” I said, “If you can get a safe haven,”- you knew that it was going to get bad. I didn’t know from what but it was…And he’s a mainframe programmer. I said, “If you’ve got a place that you can go, you need to do it. I mean...go, please, please.” Because I feel pressure whenever you’re not working even though you’re not on my bench. I mean I’m not paying you but because the loyalty has been there. We help people get jobs where you don’t get paid for all the time you work. It all comes back. It rotates. You put out good, good comes back. It’s been a great, great, great industry and I feel like somebody up there was watching out for me when they directed
my career from accounting, which I did not love, to computers which I absolutely had a passion for and I did not even know what they were. It’s a miracle. [laughs]

Yost: It has been a great joy to study this industry because of the people in it, I really enjoy it.

Murphy: It keeps you mentally young. It just does. My third husband [laughs] who kept saying the ‘r’ word, retire, until we went on an extended trip together. And then he decided that maybe ‘r’ was not the best thing, that he really likes alone time because he’s had it for years and all of the sudden there is somebody there all the time. He says to me, “You come home so invigorated from what you do because you really love it. Even on a bad day, you love it. It’s worth it just to see the pleasure you get.” This kind of business is fun. Developing and designing systems is just the best. Because you improve lives, you help businesses and you’re doing something. Cool thing.

Yost: Thank you very much.

Murphy: Thank you.